

## Trends in student borrowing: Subsidized and unsubsidized loans

*The 1992 Reauthorization of the Higher Education Act expressed the desire of Congress to improve access to postsecondary education by allowing students from all income levels to receive unsubsidized Stafford federal student loans. In addition, students who qualify can also receive a subsidized federal student loan, with the federal government paying the interest while the students are enrolled. With unsubsidized federal loans, students are charged interest while enrolled, so there is some concern about the effect of this burden. Prior to 1993–94, unsubsidized federal loans were available only to independent students and to dependent students with exceptional need.*

- The percentage of full-time, full-year undergraduates with subsidized federal student loans increased from 30 to 37 percent between 1992–93 and 1995–96. During the same period, the percentage with unsubsidized loans increased from 4 to 16 percent.
- While 1 percent of dependent undergraduates received an unsubsidized federal student loan in 1992–93, 12 percent did so by 1995–96.
- The percentage of independent students with unsubsidized federal student loans increased from 12 to 27 percent between 1992–93 and 1995–96, and increased in every income group.
- The percentage of independent students who received only subsidized federal loans decreased from 29 percent to 22 percent between 1992–93 and 1995–96 (see supplemental table 42-1).

### Percentage of full-time, full-year undergraduates with subsidized and unsubsidized federal student loans, and for those with loans, the average amount borrowed in each academic year: 1992–93 and 1995–96<sup>1</sup>

Selected institutional and student characteristics	1992–93				1995–96			
	Subsidized loans		Unsubsidized loans		Subsidized loans		Unsubsidized loans	
	Percent	Average amount	Percent	Average amount	Percent	Average amount	Percent	Average amount
<b>Total</b>	<b>29.7</b>	<b>\$2,837</b>	<b>3.8</b>	<b>\$3,044</b>	<b>36.8</b>	<b>\$3,373</b>	<b>16.0</b>	<b>\$3,103</b>
Control and type of institution <sup>2</sup>								
Public 4-year	28.6	2,771	2.8	2,848	36.9	3,502	17.1	3,029
Private, not-for-profit 4-year	42.0	2,983	4.3	3,438	49.6	3,662	15.4	3,337
Public 2-year	10.1	2,107	1.2	—	12.1	2,312	6.4	2,637
Private, for-profit	51.5	3,096	15.5	2,936	59.5	2,899	38.7	3,413
Dependency status								
Dependent	25.6	2,741	0.8	2,792	33.4	3,251	12.1	2,904
Independent	39.8	2,990	11.5	3,086	46.3	3,621	27.1	3,355
Dependent family income								
Low quartile	45.0	2,664	1.4	2,546	44.8	3,272	5.5	2,718
Lower middle quartile	36.4	2,753	1.1	2,788	46.7	3,390	8.2	2,277
Upper middle quartile	21.6	2,761	0.5	3,075	32.3	3,155	16.6	2,741
High quartile	12.9	2,869	0.4	—	13.4	2,989	16.8	3,377
Independent family income								
Low quartile	45.7	2,901	10.6	2,796	52.9	3,672	27.3	3,043
Lower middle quartile	37.7	3,028	13.0	3,285	51.1	3,613	28.7	3,377
Upper middle quartile	34.1	3,121	12.0	3,233	42.6	3,556	25.3	3,508
High quartile	29.7	3,205	11.2	3,394	24.7	3,514	26.1	3,972

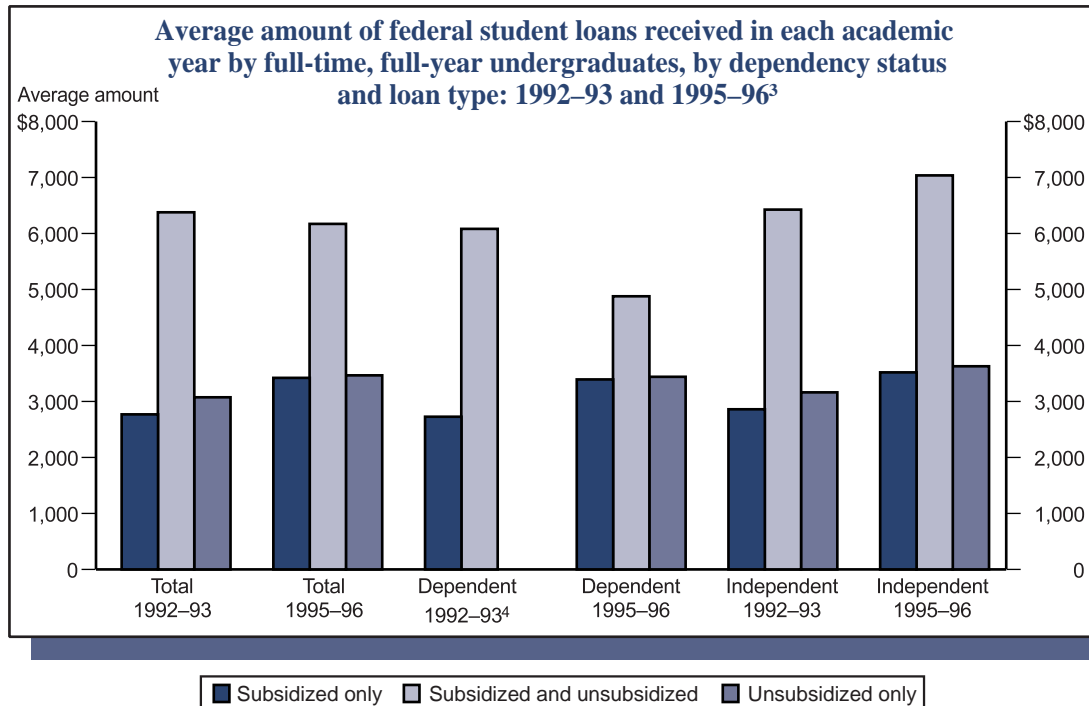
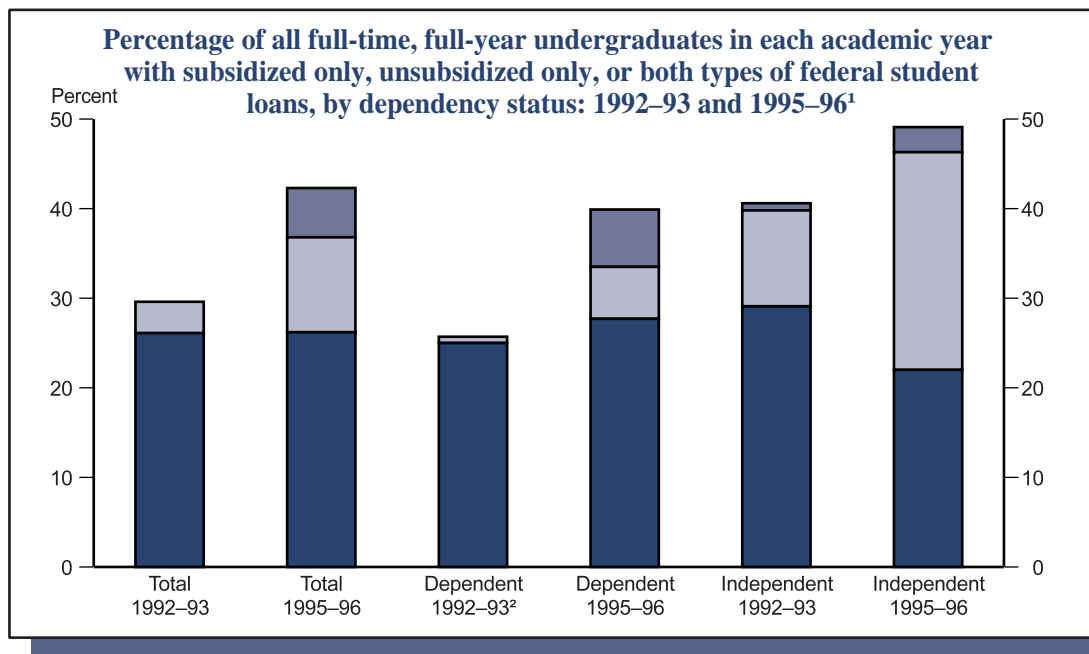
— Too few sample observations for a reliable estimate.

<sup>1</sup> In 1992–93, subsidized federal student loans were offered through the Stafford Federal Loan Program and unsubsidized federal student loans through the Supplemental Loans for Students (SLS) program. In 1995–96, both subsidized and unsubsidized loans were offered through the Stafford Federal Loan program. Students may receive both a subsidized and unsubsidized loan in an academic year, and thus may appear in each loan category.

<sup>2</sup> Excludes public less-than-2-year and private, not-for-profit less-than-4-year institutions.

SOURCE: U.S. Department of Education, National Center for Education Statistics, National Postsecondary Student Aid Study, 1992–93 and 1995–96.

## Trends in student borrowing: Subsidized and unsubsidized loans



<sup>1</sup> In 1992-93, subsidized federal student loans were offered through the Stafford Federal Loan Program and unsubsidized federal student loans through the Supplemental Loans for Students (SLS) program. In 1995-96, both subsidized and unsubsidized federal student loans were offered through the Stafford Federal Loan Program.

<sup>2</sup> Percentage for unsubsidized only is less than 1 percent; therefore, it may not be discernible on the graph.

<sup>3</sup> Among those who received a subsidized or unsubsidized federal student loan in each academic year.

<sup>4</sup> Too few observations for a reliable estimate for unsubsidized only.

SOURCE: U.S. Department of Education, National Center for Education Statistics, National Postsecondary Student Aid Study, 1992-93 and 1995-96.

**Table 42-1**      **Percentage distribution of full-time, full-year undergraduates in each academic year according to loan package, by dependency status: 1992–93 and 1995–96\***

Type of loan	Dependency status					
	Total		Dependent		Independent	
	1992–93	1995–96	1992–93	1995–96	1992–93	1995–96
Subsidized only	26.1	26.2	25.0	27.7	29.1	22.0
Subsidized and unsubsidized	3.5	10.6	0.7	5.8	10.7	24.3
Unsubsidized only	0.3	5.5	0.1	6.4	0.8	2.8
No federal student loan	70.0	57.8	74.3	60.2	59.4	50.9

\* In 1992–93, subsidized federal student loans were offered through the Stafford Loan Program and unsubsidized federal student loans through the Supplemental Loans for Students (SLS) program. In 1995–96, both subsidized and unsubsidized federal student loans were offered through the Stafford Federal Loan Program.

NOTE: Details may not add to 100.0 due to rounding.

SOURCE: U.S. Department of Education, National Center for Education Statistics, National Postsecondary Student Aid Study, 1992–93 and 1995–96.

## Trends in student borrowing: Subsidized and unsubsidized Stafford Loans

Prior to the 1992 Reauthorization of the Higher Education Act, the Student Loan Program consisted only of subsidized loans, in which the federal government paid the interest while the students were enrolled in a postsecondary institution. Independent undergraduates could receive unsubsidized loans (which accrued interest while the students were enrolled) through the federal Supplemental Loans for Students (SLS) program, which was available to dependent students only on an exceptional basis. Before 1993–94, however, the percentage of students borrowing from the SLS program was small. In 1993–94, SLS was replaced by unsubsidized Stafford loans, whose target population was expanded to include dependent as well as independent students. Both types of Stafford loans are offered through the Federal Family Education Loan Program (administered by banks and other lending institutions), and the Direct Student Loan Program (administered by postsecondary institutions).

The maximum amounts of unsubsidized federal student loans that may be borrowed vary with dependency status and class level. In 1995–96, dependent undergraduates could borrow up to

\$2,625 in the first year, \$3,500 in the second year, and \$5,500 in the third and following years. The limits were higher for independent undergraduates, who could borrow up to \$4,000 in the first and second years, and \$5,000 in the third and following years.

The data in this indicator are for full-time, full-year undergraduates. Thirty-five percent of undergraduates attended full time, full year in 1992–93, while 38 percent did so in 1995–96.

Income quartiles are based on the distribution of all dependent or independent students, while the tables are limited to a subset of full-time, full-year students. In 1993, the 25<sup>th</sup>, 50<sup>th</sup>, and 75<sup>th</sup> percentiles for all dependent students corresponded to family incomes of \$26,976, \$44,246, and \$59,839. The values for all independent students in 1993 were \$9,920, \$20,735, and \$35,510.

In 1996, the 25<sup>th</sup>, 50<sup>th</sup>, and 75<sup>th</sup> percentiles for all dependent students corresponded to family incomes of \$25,100, \$46,838, and \$71,134. The values for all independent students in 1996 were \$8,252, \$19,125, and \$34,975.